U.S. Public Interest Research Group

Consumer Federation of America

August 1, 2002

The Honorable Richard J. Durbin
United States Senate
Washington, D.C. 20510

The Honorable William Delahunt
United States House of Representatives
Washington, D.C. 20515

Dear Senator Durbin and Representative Delahunt:

The Consumer Federation of American and U.S. Public Interest Research Group commend you for introducing the Employee Abuse-Prevention Act of 2002. The recent raft of corporate scandals has exposed many flaws in a system of market oversight that used to be the envy of the world. Investors have lost faith in our markets, tens of thousands of employees have lost their jobs and workers and retirees have lost significant portions of their pension plans. It is essential that Congress take a comprehensive approach to reform.

Recently enacted accounting reform legislation takes a very important first step. It will bring much-needed improvements to the quality and independence of the audits of public companies and help to restore investor confidence. But this law was never intended to give employees and retirees more power to combat the tactics of corporate officers who systematically loot their corporations and line their pockets, even as their companies' financial position starts to deteriorate. To do that, one must change corporate bankruptcy laws.

The Employee Abuse Prevention Act will help employees and retirees prevent corporate officers from pillaging their earnings and retirement savings in a number of important ways:

- It increases the power of bankruptcy judges to nullify fraudulent transfers of benefits and money by corporate officers, and to examine off-book transactions. This will increase the ability of employees to recover assets that have been stripped.
- It limits retention bonuses, severance pay and other excessive payments to corporate officers and consultants.
- It increases the ability of employees to recover the value of company stock, when the stock was purchased because employees were not allowed to choose other investment options.
- It limits the ability of companies to "shop" for a bankruptcy court in an area far from where most employees are located. This practice prevents employees from meaningfully participating in a bankruptcy proceeding.

This legislation is the important "next step" in reforming our corporate accountability laws. It is being introduced at a time when Congress is poised to pass a personal bankruptcy law that will make it more difficult for moderate-income individuals who have been harmed by the current accounting scandals to get a financial fresh start. We commend you for focusing on the kind of bankruptcy reform that will help, not hurt, employees, retirees and working families.

Sincerely,

Travis B Plunkett

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